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FISCAL IMPACT STATEMENT

LS 6834

BILL NUMBER: HB 1075

NOTE PREPARED: Apr 6, 2005

BILL AMENDED: Apr 5, 2005

SUBJECT: Health Insurance Waivers.

FIRST AUTHOR: Rep. Torr

FIRST SPONSOR: Sen. Miller

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: *Waiver of Coverage.* This bill provides that an individual policy of accident and sickness insurance and certain association or discretionary group policies of accident and sickness insurance may contain a waiver of coverage for a specified condition if certain requirements are met. The bill specifies that an offer of coverage under a policy that includes a waiver does not preclude eligibility for an Indiana Comprehensive Health Insurance Association (ICHIA) policy.

Health Coverage Mandate Option. The bill allows, under certain circumstances, an accident and sickness insurer or a health maintenance organization to provide a policy or contract without complying with all health benefit mandates. It requires insurers and health maintenance organizations to report specified information to the Department of Insurance (DOI) concerning these policies and contracts. It requires the DOI to report this information and other specified information to the Legislative Council.

Effective Date: July 1, 2005.

Explanation of State Expenditures: *Health Coverage Mandate Option.* The bill requires insurers and HMOs to report specified information to the DOI concerning policies and contracts. The DOI must report this information and other information to the Legislative Council. These provisions will increase DOI administrative expenses; however, it is presumed that the DOI will be able to implement these provision within its existing level of resources.

Waiver of Coverage. This bill provides that an individual policy of accident and sickness insurance and certain association or discretionary group policies of accident and sickness insurance may contain a waiver of coverage

for a specified condition if certain requirements are met. The bill specifies that an offer of coverage under a policy that includes a waiver does not preclude eligibility for an Indiana Comprehensive Health Insurance Association (ICHIA) policy. The bill applies to a policy of accident and sickness insurance that is issued, delivered, amended, or renewed after June 30, 2005.

The impact on the state, if any, is a potential decrease in demand for ICHIA policies. Any impact is likely to be small. However, insurers under existing law might not be willing to provide coverage to an individual who has a specific condition. ICHIA might be the only insurer willing to provide health coverage to the individual. Under the proposal, insurers other than ICHIA might be willing to offer this person a health insurance policy that provides for all other health concerns except concerns related to the specific condition. In this case, the person might choose to purchase the insurance policy with the waiver if at a lower premium cost than an ICHIA policy. (The above example was for illustration purposes only.)

ICHIA Background: All carriers, health maintenance organizations, limited service health maintenance organizations, and self-insurers providing health insurance or health care services in Indiana are ICHIA members. ICHIA determines net premiums, administrative expenses, and incurred losses for the year. Beginning January 1, 2005, 25% of any net loss is assessed members in proportion to their respective shares of total health insurance premiums, and 75% of the net loss is to be paid by the state. Net gains, if any, must be held at interest to offset future losses or allocated to reduce future premiums.

To be eligible for an ICHIA policy, an Indiana resident must show evidence of being denied insurance coverage under any insurance plan that meets or exceeds the minimum requirements for accident and sickness insurance policies issued in Indiana without material underwriting restriction; an insurer has refused to issue insurance except at a rate exceeding the ICHIA plan rate; or the individual is eligible under the federal Health Insurance Portability and Accountability Act (HIPAA). The individual may not be eligible for Medicaid or Medicare. ICHIA provides health coverage to approximately 8,500 individuals. Members who have paid assessments prior to January 1, 2005, may take a credit against premium taxes, adjusted gross income taxes for each calendar year in which the assessments were paid and for succeeding years until the aggregate of those assessments have been offset by either credits against those taxes or refunds from the Association. Members may include in premiums charged for insurance policies amounts sufficient to recoup a sum equal to the amounts paid to the Association.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) *Health Coverage Mandate Option.* The proposal could affect expenditures of those local units and school corporations that employ not more than 50 employees and that purchase group insurance or HMO coverage under certain conditions. The impact will depend on the number and nature of policies that employers opt to purchase that do not comply with all health benefit mandates. It is unknown if local units would absorb any savings or pass the savings on to employees, as cost sharing of health benefit premiums varies widely by locality.

Explanation of Local Revenues:

State Agencies Affected: ICHIA.

Local Agencies Affected: (Revised) Local units that employ not more than 50 employees and that purchase group insurance or HMO coverage under certain conditions.

Information Sources:

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